

Internal Revenue Service

Department of the Treasury

District  
Director

230 South Dearborn Street  
Chicago, Illinois 60604

Person to Contact: [REDACTED]  
Telephone Number: [REDACTED]  
Refer Reply to:  
Internal Revenue Service  
[REDACTED]

CERTIFIED

Date: APR 06 1992

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

The purposes as shown in your Articles of Incorporation are civic, social welfare and community improvement, to be open to membership to the members of the [REDACTED] business community, to provide for the general upgrading and security of the [REDACTED] business community.

Your organization is a membership organization. Membership is open to all individuals, corporations or partnerships which are engaged in business or professional activities in [REDACTED].

The sole activity of your organization is to provide security services for the [REDACTED] business district. All your income is derived from membership fees which are determined on a business by business basis. Your sole expense is the cost of providing the security services.

The following statements appeared in your application:

All the Association's activities are related to providing security for the [REDACTED] business district. Fees are set through discussions between the officers of the security association and the business owner and/or operator. There are two security organizations under unwritten contracts hired to provide the security function.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder of individual."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

[REDACTED] 4/6/92

[REDACTED] 4/6/92

[REDACTED] 4/6/92

[REDACTED] 4/6/92

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of Section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder".

According to Rev. Rul. 77-273, 1977-2 C.B. 194, a nonprofit organization, that provides security services for residents and property owners of a particular community, did not qualify for exempt status under Section 501(c)(4). The ruling held that the organization was carrying on a business with the general public in a manner similar to organizations operated for profit.

According to Rev. Rul. 71-175, 1971-1 C.B. 153, an organization, that operated a telephone answering service for its members, did not qualify for exempt status under Section 501(c)(6). The ruling held that the organization was providing particular services for its members.

You do not qualify for exempt status under Section 501(c)(6) because your activities constitute the performance of particular services for your members. Your security services are outside the scope of exempt status under Section 501(c)(6) of the Code.

We have concluded that you do not qualify for exemption from Federal Income Tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually with your District Director.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must

be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

Very truly yours,

[REDACTED]

District Director

Enclosures:  
Publication 892  
Form 6018